

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

NSAE-00 RSC-01 SIL-01 OMB-01 TRSE-00 PC-04 DODE-00

PM-07 H-03 L-03 NSC-10 PA-04 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 DRC-01 /155 W

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R 231438Z NOV 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 6639

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY BOGOTA

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY RIO DE JANEIRO

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EO 11652: N/A

TAGS: ECON, CI

SUBJECT: LENIZ ON ECONOMIC POLICY

REF: SANTIAGO 5754

BEGIN UNCLASSIFIED

1. GENERAL PINOCHET, PRESIDENT OF MILITARY JUNTA, AND MINECON FERNANDO LENIZ ADDRESSED APPROXIMATELY 2,000 SO-CALLED LABOR LEADERS (SEE REFTTEL) NOV 20 (AS THEY PREVIOUSLY HAD DONE BUSINESS LEADERS AND HOUSEWIVES) TO EXPLAIN GOC ECONOMIC POLICIES. PINOCHET'S ADDRESS WAS SHORT AND APPEALED TO PATRIOTISM OF WORKERS FOR SACRIFICES IN THIS CRUCIAL PERIOD. PINOCHET RECEIVED WARM RESPONSE FROM AUDIENCE. MORE DIFFICULT TASK OF SPELLING OUT DETAILS FELL TO LENIZ. IN REVIEWING UP ECONOMIC ERRORS AND TODAY'S DIFFICULT CORRECTIVE

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MEASURES, HE PROMISED GOC WOULD TELL IT LIKE IT IS AND NOT

MAKE FALSE PROMISES. LENIZ EMPHASIZED THAT CHILE CANNOT CONSUME MORE UNTIL IT PRODUCES. MEANWHILE, ALL CHILEANS MUST SACRIFICE. LENIZ SAID MANUFACTURERS AND RETAILS ALSO SUFFERING FINANCIAL LOSSES SINCE MANY CANNOT CURRENTLY SELL AT PRICES SUFFICIENT TO COVER COSTS. MANY OF PRIVILEGED FEW ARE HAVING TO CHANGE DOLLARS INTO ESCUDOS AT OFFICIAL RATE THESE DAYS TO FINANCE BUSINESS EXPENSES. (CENTRAL BANK REPORTS \$14 MILLION CHANGED IN PAST 15 DAYS.) LENIZ SAID PRICES ARE BEING FORCED DOWN BECAUSE GOC ALLOWING RELATIVELY SMALL INCREASES IN MONEY SUPPLY CONSIDERING PRESENT AVAILABILITY OF GOODS. ENTERPRISES TRYING TO ENGAGE IN MONOPOLY PRACTICES WILL BE SEVERELY PUNISHED UNDER MONOPOLY LAW WHICH IS CURRENTLY BEING STRENGTHENED.

2. MOST IMPORTANT LENIZ STATEMENT WAS THAT JANUARY 1974 WAGE ADJUSTMENT WILL PROVIDE FOR HIGHER REAL WAGES THAN WORKERS CURRENTLY RECEIVING. THOSE AT LOWER END OF INCOME SCALE WILL GET LARGEST RELATIVE BOOST, ACCORDING TO MINECON. SUELDO VITAL, ON WHICH SO MUCH OF CHILEAN SOCIAL WELFARE SYSTEM RESTS, WILL ALSO BE READJUSTED. HE SAID THAT WHILE GOVERNMENT PUBLIC WORKS PROGRAM, SUCH AS HOUSING, WILL SOMEWHAT RELIEF UNEMPLOYMENT PROBLEM, REAL SOLUTION DEPENDS ON NEW SAVINGS AND INVESTMENT (BOTH DOMESTIC AND FOREIGN) TO CREATE NEW ENTERPRISES. GOC COMMITTEE UNDER GENERAL LEIGH IS PUTTING TOGETHER STATUTE WHICH WILL GUARANTEE WORKER PARTICIPATION IN OWNERSHIP AND MANAGEMENT OF FIRMS, BUT LENIZ SAID NO TIME LIMIT HAD BEEN SET FOR COMPLETION THIS JOB. HE ADDED THAT RULES OF WORKER PARTICIPATION WOULD VARY AMONG ACTIVITIES BECAUSE OF WIDE DIFFERENCES IN PRODUCTIVE ORGANIZATIONS.
END UNCLASSIFIED

BEGIN LOU

3. COMMENT: THERE WAS NO VISIBLE JOY IN LENIZ' AUDIENCE. ALTHOUGH HIS EXPLANATION OF ECONOMIC MEASURES WAS AS SIMPLE AS COULD BE MADE, MOST SPECTATORS LOOKED PUZZLED OR RESIGNED. THEY ARE UNDERSTANDABLY SO. GOC SOURCES NOW EXPECT 1973

INFLATION TO REACH 750-800 PERCENT, WHEREAS THEY THOUGHT IT MIGHT BE HELD TO 600 PERCENT ONLY FEW WEEKS AGO. EFFECTIVE PROGRAMS TO HELP THE UNEMPLOYMENT OR THOSE EMPLOYED AT UNSKILLED LIMITED OFFICIAL USE

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LABOR HAVE NOT YET DEVELOPED. MONEY SUPPLY EXPANDED 24 PERCENT BETWEEN SEPTEMBER 1 AND OCTOBER 30 WHILE INFLATION HAS BEEN 119 PERCENT. THUS THE LIQUIDITY SQUEEZE. RETAIL CREDIT IS BECOMING SOMEWHAT MORE PLENTIFUL, BUT THIS IS NOT AVAILABLE TO THOSE IN MOST DIFFICULT ECONOMIC STRAITS. LENIZ'S SPEECH CONFIRMS IMPRESSION THAT GOC IS DETERMINED MAINTAIN CURRENT INCOMES POLICY THROUGH 1973. SOME RELAXATION MAY OCCUR IN EARLY 1974, BUT THIS PINCH WILL STILL VERY MUCH BE FELT.

END LOU.
THOMPSON

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